

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 IO-11 PM-04 DODE-00 EB-07 OMB-01 TRSE-00

CIAE-00 INR-07 NSAE-00 L-03 OIC-02 OPR-02 A-01 /051 W

----- 018316

R 051620Z MAR 76

FM USMISSION NATO

TO SECSTATE WASHDC 6303

INFO USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 USNATO 1232

E.O. 11652: N/A

TAGS: AORG NATO OECD

SUBJ: COORDINATING COMMITTEE OF GOVERNMENT BUDGET EXPERTS,  
SALARY ADJUSTMENT PROCEDURE

REF: USNATO 1189

1. THERE FOLLOWS THE TEXT OF THE FINAL DRAFT OF THE 129TH REPORT OF THE CCG WHICH THE CHAIRMAN WILL DISTRIBUTE TO THE SYG'S FOR PRESENTATION TO THE COUNCILS OF THE MEMBER ORGANIZATIONS, TOGETHER WITH THE US RESERVATION (SEE PARA 3). THIS SUBJECT IS ON THE AGENDA OF THE NAC FOR MARCH 10.

2. BEGIN TEXT:

CO-ORDINATING COMMITTEE  
OF GOVERNMENT BUDGET EXPERTS

PROCEDURE FOR ADJUSTING THE REMUNERATION OF STAFF  
OF THE CO-ORDINATED ORGANISATIONS

129TH REPORT

1. IN THEIR DECISIONS ARISING OUT OF THE 123RD REPORT OF THE CO-ORDINATING COMMITTEE, THE COUNCILS ABOLISHED THE PROCEDURE FOR ADJUSTING THE REMUNERATION OF STAFF OF THE CO-ORDINATED ORGANISATIONS AS SET OUT IN ANNEX VI TO THE 78TH REPORT. AT THE SAME UNCLASSIFIED

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TIME, THE COUNCILS AGREED THAT IN FUTURE THE TOTAL INCREASE IN SALARIES IN THE CO-ORDINATED ORGANISATIONS MAY NOT EXCEED THE AVERAGE NET INCREASE IN SALARIES IN A CERTAIN NUMBER OF NATIONAL CIVIL SERVICES TAKEN AS A REFERENCE.

2. BEFORE MAKING THE RECOMMENDATIONS ON WHICH THESE DECISIONS WERE BASED, THE COMMITTEE HAD WORKED OUT A COST-OF-LIVING ADJUSTMENT PROCEDURE TO BE APPLICABLE FROM 1ST JULY, 1975. THIS PROCEDURE, WHICH IS SET OUT IN PARAGRAPH 13 OF THE 123RD REPORT AND PROVIDES FOR ABATEMENTS ACCORDING TO GRADE, LARGELY REFLECTED THE CONCERN OF GOVERNMENTS THAT THE ADJUSTMENTS FOR INTERNATIONAL CIVIL SERVANTS SHOULD BE LIMITED TO THE LEVEL OF THOSE OBTAINED IN NET TERMS BY NATIONAL CIVIL SERVANTS, ALLOWING FOR THE EFFECTS OF FISCAL DRAG AND OTHER CIRCUMSTANCES TENDING TO REDUCE THE NET REMUNERATION IN THE LATTER CASE.

3. THE SECRETARIES-GENERAL CONTESTED THE PRINCIPLE OF THESE ABATEMENTS, AS WELL AS THE PERCENTAGES CHOSEN, AND PROPOSED THAT A MORATORIUM BE ADOPTED IN PREFERENCE TO THE NEW COST-OF-LIVING ADJUSTMENT PROCEDURE, EVEN IF THIS WERE PROVISIONAL AND ON A FLAT-RATE BASIS. TO TAKE ACCOUNT OF THE OBJECTIONS RAISED BY THE SECRETARIES-GENERAL, THE COMMITTEE DECIDED TO ACCEPT THIS MORATORIUM AND ASK A WORKING PARTY TO MAKE A MORE DETAILED STUDY OF COMPARATIVE TRENDS IN THE NET SALARIES PAID TO STAFF OF THE CO-ORDINATED ORGANIZATIONS AND TO NATIONAL CIVIL SERVANTS (WORKING PARTY N 13).

4. THE WORKING PARTY'S REPORT (1) SHOWS THAT THE ADJUSTMENT PROCEDURES APPLIED DURING THE PERIOD FROM 1969 TO 1975, WHEN COST-OF-LIVING INCREASES WERE AUTOMATICALLY COMPENSATED FOR IN FULL, HAD THE EFFECT OF WIDENING THE GAP BETWEEN THE NOMINAL SALARIES IN THE CO-ORDINATED ORGANISATIONS AND THOSE IN THE CIVIL SERVICES TAKEN AS A REFERENCE. IT WAS FOUND THAT THIS GAP COULD BE IMPUTED TO THREE FACTORS:

- OVER-LARGE STANDARD-OF-LIVING ADJUSTMENTS,
  - THE AWARD OF COST-OF LIVING ADJUSTMENTS BASED ON INTERNATIONAL PRICE INDICES THAT HAD RISEN FASTER THAN NATIONAL INDICES,
  - THE ABSENCE OF ANY MODERATING ELEMENT SIMILAR TO FISCAL
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DRAG IN THE CASE, OF NATIONAL CIVIL SERVANTS' PAY, ALTHOUGH THE IMPACT OF THIS FACTOR WAS FOUND TO BE LESS IN SOME COUNTRIES THAN INITIALLY ESTIMATED.

FURTHERMORE, THE COMMITTEE FOUND THAT ESINCE THE SECOND HALF OF 1975 SEVERAL MEMBER COUNTRIES HAD BEEN OBLIGED TO RESTRICT THE GROWTH IN NATIONAL CIVIL SERVICE PAY TO NO MORE THAN THE NOMINAL INCREASE IN THE COST OF LIVING, AND IN SOME CASES EVEN TO HOLD IT BELOW THAT LEVEL. CLEARLY, THESE RESTRICTIVE MEASURES, IMPOSED ON GOVERNMENTS BY THE ECONOMIC AND FINANCIAL SITUATION IN THEIR COUNTRIES, HAVE ALSO TO BE REFLECTED IN THE TREND OF INTERNATIONAL CIVIL SERVICE SALARIES.

5. AFTER STUDYING THESE DATA, THE MEMBERS OF THE CO-ORDINATING COMMITTEE REACHED INITIAL POSITIONS THAT DIFFERED VERY WIDELY, SOME OF THEM EVEN GOING SO FAR AS TO ENVISAGE A TWO-YEAR FREEZE ON SALARIES.

6. IN AN ATTEMPT TO MEET THE CONCERNS OF THE SECRETARIES-GENERAL, THE DELEGATIONS PUT FORWARD A COMMON POSITION. THEY SUGGESTED, IN ACCORDANCE WITH CURRENT PRACTICE IN CERTAIN CIVIL SERVICES AND CERTAIN INTERNATIONAL ORGANISATIONS, TWO AGREED DATES FOR SALARY ADJUSTMENTS A YEAR, ONE IN JANUARY AND THE OTHER IN JULY. THE JULY EXERCISE WOULD BE IN THE NATURE OF A GENERAL REVIEW, WHICH WOULD MAKE AN ADJUSTMENT FOR COST-OF-LIVING AND STANDARD-OF-LIVING INCREASES COMBINED AND WOULD ENSURE THAT NET REMUNERATIONS IN THE CO-ORDINATED ORGANISATIONS MOVED PARALLEL WITH THOSE IN THE NATIONAL CIVIL SERVICES TAKEN AS A REFERENCE BY WORKING PARTY N 13. THE PURPOSE OF THE JANUARY EXERCISE WOULD BE TO DETERMINE THE AMOUNT OF AN ADVANCE AS FROM 1ST JANUARY ON THE AGGREGATE JULY INCREASE. THIS ADVANCE WOULD BE CALCULATED ON THE BASIS OF THE RISE IN THE COST OF LIVING AS SHOWN BY THE MOVEMENT OF THE INTERNATIONAL INDEX, ON THE UNDERSTANDING THAT THE INCREASE WOULD AVERAGE NOT LESS THAN 75 PERCENT OF THE RISE IN THE INTERNATIONAL INDEX. WITHIN THE LIMITS OF THE PERCENTAGE ADOPTED THE SECRETARIES-GENERAL MIGHT PROPOSE A SCALE OF ADJUSTMENTS ACCORDING TO GRADE. THIS PROCEDURE WOULD BE APPLICABLE FOR 3 YEARS AND MIGHT, IF NECESSARY, BE REVIEWED AT THE END OF THAT PERIOD. IT WOULD APPLY AS FROM 1ST JANUARY, 1976.

7. THE SECRETARIES-GENERAL EMPHASIED THAT THEY HAD ALREADY UNCLASSIFIED

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MADE A NUMBER OF COMPROMISES IN CONJUNCTION WITH THE PROPOSED CHANGES IN THE COST-OF-LIVING ADJUSTMENT PROCEDURES. THEY CONSIDERED THAT THE EMPIRICAL EVIDENCE SUPPORTED THE VIEW THAT A MAINTENANCE OF A 100 PERCENT AUTOMATIC ADJUSTMENT FORMULA WAS FULLY JUSTIFIED. HOWEVER, IN A SPIRIT OF COMPROMISE AND IN THE LIGHT OF INCOME-RESTRAINING ACTIONS TAKEN IN A FEW MEMBER COUNTRIES WHICH MIGHT BE DUPLICATED IN CERTAIN OTHERS, THEY WERE PREPARED TO OFFER FURTHER CONCESSIONS. THERE WERE A NUMBER OF AVENUES OPEN IN THIS RESPECT. TO THIS END THE SECRETARIES-GENERAL HAD CIRCULATED TO COUNCILS DOCUMENT C/76/31 (CSG/76/1) DEFINING THE COMMON POSITION OF THE SECRETARIES-GENERAL ON SALARIES AS AGREED AT THEIR MEETING IN PARIS ON 23 JANUARY, 1976, AND OFFERING FURTHER CONCESSIONS. AS DISCUSSED DURING THE INTERVENING SESSIONS OF THE COORDINATING COMMITTEE OF GOVERNMENT BUDGET EXPERTS, ANOTHER ALTERNATIVE WOULD BE TO PROVIDE A 100 PERCENT COST-OF-LIVING ADJUSTMENT ON 1ST JANUARY, 1976 AND TO SEEK TO ACHIEVE IN ONE SINGLE ADJUSTMENT, ON 1ST JULY, 1976, THE ADAPTATION OF SALARIES TO BOTH COST-OF-LIVING AND STANDARD-OF-LIVING TRENDS. IN THE LATTER CASE SEPARATE EXAMINATIONS WOULD BE CARRIED OUT SIMULTANEOUSLY OF THE COST-OF-LIVING TREND, AND PROVIDED DATA WERE AVAILABLE IN A TIMELY FASHION, OF THE STANDARD OF LIVING TREND. IN THIS HYPOTHESIS, THE NET RESULT MIGHT BE

THAT THE OVERALL ADJUSTMENT WOULD BE LESS THAN THAT WHICH WOULD HAVE BEEN CALLED FOR BY THE COST-OF-LIVING TREND IF, AS SOME MEMBER COUNTRIES' DELEGATES EXPECTED, THE OBJECTIVE DATA FOR THE STANDARD-OF-LIVING REVIEW DISCLOSED A NEGATIVE TREND.

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8. IN VIEW OF THE OBJECTIONS MAINTAINED BY THE SECRETARIES-GENERAL WITH REGARD TO THE DELEGATIONS' PROPOSALS, THE CO-ORDINATING COMMITTEE CONSIDERED IT NECESSARY TO RESORT TO THE POSSIBILITY PROVIDED FOR IN PARAGRAPH 14 OF THE 123RD REPORT, WHICH STATES THAT:

"SHOULD THE COMMITTEE NOT BE IN A POSITION TO SUBMIT ITS RECOMMENDATIONS ON A NEW COST-OF-LIVING PROCEDURE TO COUNCILS IN TIME, THE COMMITTEE WOULD NEED TO RECOMMEND TO COUNCILS APPLYING, INTER ALIA, ON A PROVISIONAL BASIS THE PROCEDURE OUTLINED IN PARAGRAPH 13 ABOVE."

9. ACCORDINGLY, AND IN THE LIGHT OF THE DATA PROVIDED BY WORKING PARTY N 13, DELEGATIONS HAVE FELT IT NECESSARY TO PROPOSE THAT, ON AN AD HOC BASIS AND AS AN ADVICE ON THE INCREASE AT 1ST JULY, 1976, ADJUSTMENTS SHOULD BE GRANTED TO COMPENSATE FOR THE MOVEMENT OF THE COST-OF-LIVING INDICES (1) BETWEEN 1ST JULY, 1975 AND 31ST DECEMBER, 1975 AND THAT THEY SHOULD BE APPLIED ON THE FOLLOWING SCALE:

PERCENTAGES	GRADES
100	C1 - C4 INCLUSIVE B1 AND B2
95	C5 AND C6 B3, B4 AND B5

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90        B6  
          L2 AND L3

75        L4 AND L5  
          A4, A5, A6 AND A7

THE MOVEMENT OF THE INDICES APPLYING IN THE DIFFERENT COUNTRIES ARE SET OUT AT ANNEX TEOGETHER WITH AN INDICATION OF THE EFFECT OF THE ABOVE PERCENTAGES.

THE RESULTING INCREASES WOULD BE CALCULATED ON THE BASIS OF SALARIES IN EFFECT AT 1ST JULY, 1974 AND ADDED TO THE SALARIES PAID AS OF 1ST JULY, 1975. ON THESE BASES WOULD BE CALCULATED THE PROPORTIONAL ELEMENTS OF REMUNERATIONS (HOUSEHOLD ALLOWANCE AND EXPATRIATION ALLOWANCE). THE FIXED ELEMENTS OF REMUNERATION (SUPPLEMENTARY EXPATRIATION ALLOWANCE FOR DEPENDENT CHILD, EDUCATION ALLOWANCE AND SECRETARIAT ALLOWANCE) REMAINING UNCHANGED. EXCEPTIONALLY, HOWEVER, THE ALLOWANCE FOR DEPENDENT CHILD OR PERSON WOULD BE ADJUSTED IN FULL FOR THE RISE IN THE COST-OF-LIVING.

THE ADJUSTMENTS MADE ACCORDING TO THE CONDITIONS DESCRIBED ABOVE WOULD IN NO CASE CONSTITUTE VESTED RIGHT FOR THE PURPOSE OF THE NEXT REVIEW AT 1ST JULY, 1976.

(1) INTERNATIONAL OR, WHERE APPLICABLE, NATIONAL INDICES.

10. IN ANTICIPATION OF THE GENERAL REVIEW AT 1ST JULY, 1976, THE COMMITTEE, WITH THE HELP OF WORKING PARTY N 13; WILL DEVELOP CRITERIA FOR ENSURING THAT REMUNERATION IN THE CO-ORDINATED ORGANISATIONS MOVE PARALLEL WITH THAT IN NATIONAL CIVIL SERVICES WITH DUE REGARD TO DECISIONS MADE UNDER THE 123RD REPORT.

11. IN CONSLUSION, THE CO-ORDINATIONG COMMITTEE RECOMMENDS THE COUNCILS TO:

- APPROVE THE PROPOSALS IN PARAGRAPH 9 ABOVE;

- NOTE THAT THE NEW ADJUSTMENT PROCEDURE WILL BE SUBMITTED IN DUE COURSE FOR THEIR APPROVAL.

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12. THE COMMITTEE INVITES THE COUNCILS TO NOTE THAT, IN ACCORDANCE WITH THE INTERPRETATION GIVEN TO PARAGRAPH 3 OF ITS 34TH REPORT (CCG/65/5) AT ITS 77TH SESSION ON 29TH JUNE, 1966 (CCG/M/66/6), THE REMUNERATION OF AUXILIARY STAFF SERVING IN THE CO-ORDINATED ORGANISATIONS WILL BE ADJUSTED ACCORDING TO THE CONDITIONS SET OUT IN PARAGRAPH 9 ABOVE.

H. MASSBERG

CHAIRMAN

END TEXT.

3. THE FOLLOWING STATEMENT OF THE US RESERVATION WILL BE  
ATTACHED TO THE COMMITTEE REPORT:

QUOTE: THE UNITED STATES HELD THE VIEW THAT SALARIES IN THE  
COORDINATED ORGANIZATIONS ARE TOO HIGH COMPARED TO NATIONAL  
CIVIL SERVICE SALARIES OF THE PARTICIPATING NATIONS, AND THAT  
INCREASES IN COORDINATED ORGANIZATIONS SALARIES, PARTICULARLY  
THE HIGHER GRADES, SHOULD BE STOPPED OR MODERATED UNTIL THERE IS  
A CLOSER RELATIONSHIP TO NATIONAL SALARIES. SPECIFICALLY, THE  
UNITED STATES WAS NOT PREPARED TO ACCEPT ANY SALARY INCREASE  
FOR GRADES A.4 AND ABOVE PRIOR TO THE GENERAL REVIEW OF JULY  
1976, AND MAINTAINED A RESERVATION ACCORDINGLY. UNQUOTE.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 30 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 MAR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
**Film Number:** n/a  
**From:** NATO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t197603114/baaaawge.tel  
**Line Count:** 290  
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**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 JUL 2004 by fisherem>; APPROVED <10 DEC 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** n/a  
**TAGS:** AORG NATO OECD  
**To:** STATE  
**INFO:** OECD PARIS  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006